

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

PINEHILLS WATER COMPANY
D.T.E. 01-42

FIRST SET OF RECORD REQUESTS

Witness Responsible: Stephen B. Alcott

DTE-RR-1: Re-run the revenue requirement calculations with the inclusion of the \$9,600 referenced in DTE 2-20.

Response: As requested at the August 19 hearing, the calculation of O&M expense has been revised to include the \$9,600 of meter reading and billing expense referenced in Information Request DTE 2-20. This revision changes pro forma revenue requirement from \$2,337,000 to \$2,347,000. The six exhibits and schedules affected by this revision are attached as follows:

In EXHIBIT SBA-1,

- (1) Schedule 1 Estimated Revenue Yield from Proposed Rates**
- (2) Schedule 3 Design of Proposed Rates**

- (3) EXHIBIT SBA-2 PROPOSED REVENUE REQUIREMENT**
- (4) Schedule 1 Operating Expense - Estimated at Buildout**
- (5) Schedule 4 Pro Forma Income Taxes at Buildout**
- (6) Schedule 5 Rate Base & Rate of Return**

Notes:

- 1) Figures are rounded to \$1000, as were figures in the initial filing.**
- 2) This revision has no impact on the rates as initially proposed or on the projected rent under the facility lease as described in the initial filing.**
- 3) Calculated rates and charges would increase slightly, but the Company does not propose to change its recommended charges at this time. Where the proposed charges remain the same, despite an increase in costs, the Company's proposal may be seen as even more conservative and unlikely to result in any customers receiving charges in excess of the costs of providing them service.**

As revised, the calculated volumetric cost is \$8.11 per 1000 gallons, versus the initial calculation of \$8.08. The change also increases the calculated cost of the quarterly base charge by \$0.16/quarter and the per customer fire protection charge by \$0.17/quarter. As proposed, the volumetric charge (through which the bulk of the Company's revenues would be derived) is rounded down to \$8.00, which offsets rounding up the quarterly charges.

- 4) The difference between pro forma revenue requirement and total revenue estimated from proposed rates decreases from 0.81% to 0.38%. Should the greater rate case expense actually experienced be considered or if water distribution and supply plant be valued at the cost as of the time of installation, this calculation would be even more conservative relative to costs of providing service.**
- 5) Revised cash working capital slightly increases pro forma rate base, but there is no change to the dollar amount of the return on rate base, nor to the pro forma income taxes.**